

## Message Text

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PAGE 01 SEOUL 01467 221002Z  
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 XMB-02 PA-01 ACDA-12 CIAE-00  
INR-10 IO-13 L-03 NSAE-00 EB-08 NRC-05 OES-07  
SOE-02 DODE-00 DOE-11 SS-15 SP-02 CEQ-01 NSCE-00  
SSO-00 USIE-00 INRE-00 TRSE-00 OMB-01 AID-05 PM-05  
/128 W

-----114571 221008Z /14

O R 220935Z FEB 78  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC IMMEDIATE 9470  
INFO AMEMBASSY LONDON  
AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 1467

PASS EXPORT-IMPORT BANK FOR HEIDRICH

E.O. 11652: GDS  
TAGS: BEXP, EFIN, BENC, OECD, UK, US  
SUBJECT: KORI NUCLEAR POWER STATIONS THREE AND FOUR

REF: SEOUL 1015

1. ON MORNING OF FEBRUARY 22, EMBASSY LEARNED FROM LOCAL U.S. COMMERCIAL SOURCES THAT SOUTH KOREAN NATIONAL ELECTRIC UTILITY (KECO) HAD THAT DAY CABLED THE HOME OFFICES OF G.E.C. (UNITED KINGDOM) AND WESTINGHOUSE (U.S.) TO INFORM THEM OF THEIR SELECTION AS THE PRIMARY AND ALTERNATE SUPPLIERS, RESPECTIVELY, FOR THE KORI THREE AND FOUR NUCLEAR PLANT TURBINE/GENERATOR EQUIPMENT. WESTINGHOUSE AND G.E. WS.) LOCAL OFFICES HAVE CONFIRMED KECO'S SELECTION OF G.E.C. FOR THIS TWIN TURBINE PROJECT. EMBASSY HAS ALSO BEEN IN CONTACT WITH KECO TO ELICIT KECO'S CONFIRMATION THAT KECO, WITH THE APPROVAL OF THE ROK GOVERNMENT, HAS SELECTED G.E.C. OVER THE TWO U.S. BIDS AND SWISS (B.B.C.) OFFERS. KECO NUCLEAR  
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PLANNING OFFICE TOLD US THAT U.S. QUALITY AND LOCALIZATION PROGRAM SIMPLY DID NOT COUNTER-BALANCE LOW G.E.C. PRICE AND U.K. GOVERNMENT FINANCING PACKAGE WHICH PUT THE KECO EVALUATED BRITISH OFFER "A FULL \$10 MILLION LOWER" THAT U.S. PROPOSALS.

2. ON THE SAME MORNING, CHARGE MET PRIVATELY WITH SECOND

SECRETARY O WON-CHOL AT THE BLUE HOUSE TO EMPHASIZE  
USG INTEREST IN THE KORI THREE AND FOUR PROJECT AND TO  
CONFIRM SECRETARY O'S SUPPORT FOR U.S. EQUIPMENT  
SELECTION. THE CHARGE POINTED OUT THAT U.S. PRIVATE  
INDUSTRY HAD MADE A DETERMINED EFFORT TO COMPLY WITH ROK  
GOVERNMENT'S GUIDELINES ENCOURAGING EQUIPMENT LICENSING  
AND LOCALIZED MANUFACTURING. THE CHARGE NOTED THAT IN  
ASSEMBLING THESE LOCALIZATION PROGRAMS BOTH U.S. FIRMS  
HAD ERODED THEIR PRICE COMPETITIVENESS AND HE REQUESTED  
THAT O DO EVERYTHING IN HIS POWER TO SEE THAT THIS FACT  
RECEIVED DUE ATTENTION IN THE BID EVALUATION. O REPLIED  
THAT THE U.S. LOCALIZATION PROGRAMS AND OUR UNDERSTANDING  
OF THE ROKG'S POSITION WERE IN FULL AGREEMENT WITH HIS  
OWN EFFORTS. FURTHERMORE, CHARGE NOTED THAT EX-IM BANK  
FINANCING WAS FOR WHOLE PROJECT INCLUDING TURBINES. ALSO  
U.S. BUILT TURBINES/GENERATOR HAD PROVEN TRACK RECORD.  
O EXPLAINED THAT TO HIS KNOWLEDGE A TURBINE/GENERATOR  
DECISION ACCEPTABLE TO THE ROK GOVERNMENT HAD NOT YET  
BEEN REACHED. O STATED THAT THE PRICE VERSUS  
LOCALIZATION CONTROVERSY WAS STILL ALIVE AND WAS BLOCKING  
THE TURBINE GENERATOR DECISION. HE HOPED A DECISION  
COULD BE MADE SOON, AGAIN INDICATED HE WOULD SUPPORT THE  
BEST LOCALIZATION PACKAGE, BUT INDICATED HE HAD NO  
CONCRETE IDEA ON THE ACTUAL TIMING OF THE DECISION AND  
ANNOUNCEMENT.

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3. WHILE EMBASSY IS NOT CONVINCED THAT THE GAME IS UP  
AND THAT THE BRITISH PACKAGE ENJOYS THE OFFICIAL ENDORSE-  
MENT OF THE ROK ECONOMIC MINISTERS, IT DOES APPEAR THAT  
KECO IS DETERMINED TO BEGIN CONTRACT NEGOTIATIONS WITH  
G.E.C. IMMEDIATELY. KECO HAS RECENTLY APPROACHED HYUNDAI  
INTERNATIONAL (U.S. G.E. IS TECHNOLOGY AND LICENSE PARTNER)  
TO SOUND THEM OUT ON THE POSSIBILITY OF LOCAL PRODUCTION  
OF THE G.E.C. TURBINES. WE UNDERSTAND THAT WESTINGHOUSE  
IS DISPATCHING A HIGH-LEVEL MANAGEMENT TEAM TO SEOUL IN  
A LAST DITCH EFFORT TO TURN AROUND A TURBINE/GENERATOR  
BATTLE THEY FEEL IS VERY CLOSE TO BEING LOST. WE ASSUME  
WESTINGHOUSE AND G.E. WILL BE IN CONTACT WITH EXIM BANK  
AND THE DEPARTMENT TO APPRISE YOU OF THIS UNTOWARD  
DEVELOPMENT AND SEEK ANY ASSISTANCE ON THE ISSUE. FOR  
OUR PART, WE ARE DETERMINED TO GET A FIRMER HANDLE ON  
THE DECISION AND CONFIRM EXACTLY WHO HAS APPROVED WHAT.  
THE CARGE RECONTACTED O AND THE ECON COUNS WILL VISIT  
EPB. O SAID THAT HE HAD NOT KNOWN OF KECO'S CABLE AND  
DID NOT VIEW IT AS A FINAL DECISION. WE HOPE TO HAVE  
MORE COMPLETE DETAILS WITHIN 24 HOURS AND WILL ADVISE.  
TO OUR KNOWLEDGE THERE HAS NOT BEEN A FINAL DECISION ON  
THE NUCLEAR SYSTEMS, BUT WE FEEL AN ANNOUNCEMENT IS

IMMINENT.  
STERN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EQUIPMENT, NUCLEAR POWER PLANTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 feb 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Reference:** 78 SEOUL 1015  
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**Review Content Flags:**  
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**SAS ID:** 3519620  
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**Status:** NATIVE  
**Subject:** KORI NUCLEAR POWER STATIONS THREE AND FOUR  
**TAGS:** BEXP, EFIN, BENC, ENRG, UK, US, OECD  
**To:** STATE  
**Type:** TE  
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